

Solid Waste – Nova Scotia's Newest Resource

**RESOURCE RECOVERY
FUND BOARD INC.**

1998 Annual Report

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Aluminum

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**LES UTILISATEURS DOIVENT CONSULTER TOUTES
LES PAGES REPRODUITES SUR LA FICHE AFIN
D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL**



1998 HIGHLIGHTS

After only two years of operation, Nova Scotia is more than half way toward achieving its goal of diverting 50 percent of the Province's solid waste from landfills and incinerators by the year 2000.

Net revenue of \$6.1 million was generated and a special payment of \$700,000 was made to the seven solid waste-resource management regions to help finance their waste diversion programs. This is three times the amount of funding made available last year.

RRFB took a lead position in NOVAPET Inc., a new Amherst-based company that will process plastic polyethylene terephthalate (PETE) bottles recovered through municipal and Deposit/Refund Systems, creating up to 50 jobs.

Nova Scotians have recycled 142 million beverage containers, representing a 76 percent rate of return.

More than 570,000 tires were successfully diverted from landfills and incinerators.

A tire recycling plant (Tire Recycling Atlantic Canada Corporation - TRACC) began processing used tires in Cornwallis, Nova Scotia.

More than 400 jobs have been created as a result of Resource Recovery Fund Board activities.

LETTER FROM THE

I am pleased to present the second Annual Report of the Resource Recovery Fund Board Inc. (RRFB) for the fiscal year ended March 31, 1998.

Changing the way people think of and treat solid waste is an on-going challenge in Nova Scotia. As a private, not-for-profit organization, the RRFB has accepted this challenge and has made significant strides in developing and implementing a multi-material recycling program and increasing public awareness.

Results of our second year of operation have been very positive. We are now even closer to achieving our goal of 50 percent diversion by the year 2000.



After accounting for deposit refunds and operating expenses, \$6.1 million of net revenue was allocated to regions through diversion credits and approved programs to help municipalities fund their waste reduction efforts. This is a 166 percent increase in net revenues over the 1997

fiscal year. This strong growth was the result of several factors, including the termination of the voluntary dairy container collection program, relief from Harmonized Sales Tax (HST) on the Used Tire Management Program, and reduced start-up and operating costs.

In recognition of the financial requirements of the solid waste regions in complying with the Provincial Solid Waste-Resource Management Strategy (the Strategy), the Resource Recovery Fund Board of Directors approved the disbursement of \$700,000 from the Future Projects Fund. These funds were evenly



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CHIEF OPERATING OFFICER

shared among the seven regions and were allocated for qualifying projects in the area of solid waste-resource management. This, when added to our net revenues of \$6.1 million, increased total funding for the regions to \$6.8 million for the fiscal year.

During the 1998 fiscal year, the RRFB commissioned an independent public opinion poll to determine Nova Scotians' commitment to and understanding of the 3 R's (reduce, reuse, recycle). We were delighted that 92 percent of Nova Scotians support the principles of waste reduction and that 97 percent regularly participate in activities including the 3 R's and composting.

This year, through the tire recycling operation, more than 570,000 tires were successfully diverted from landfills and incinerators. While tire collection, shredding, and crumbing is on-going at TRACC's Cornwallis plant, value-added manufacturing did not start until late in the fiscal year. With the recent changes in TRACC's ownership and management, we remain confident in the future of used tire processing in Nova Scotia and our partnership with TRACC.

Late in the 1998 fiscal year, our Board approved the RRFB's participation in a new plant to be established in Amherst that will process plastic polyethylene terephthalate (PETE) bottles recovered through municipal and Deposit/Refund Systems. NOVAPET Inc. is expected to employ 50 people when in full production and is yet another example of value-added manufacturing using solid waste as a resource in our province.

I am pleased to report that, after much discussion with Revenue Canada during 1997, the RRFB was successful in obtaining partial HST relief. We are no longer required to pay HST on the tire program. This ruling saved \$214,000 in the 1998 fiscal year and will allow us to initiate tire stockpile cleanup in 1998. Looking ahead, we hope to achieve similar HST relief under the Deposit/Refund System for

In terms of our mandate to pursue stewardship programs with Nova Scotia industry, we strongly support the "polluter pay" principle adopted by the province in its Environment Act. Industry must take responsibility for the costs associated with removing their products from the waste stream.

While extensive negotiations were ongoing with industry, we were unable to conclude any new voluntary stewardship agreements. Industry support is vital if we are to achieve Nova Scotia's waste diversion goals.

Moving forward, we will continue to work to reach voluntary stewardship agreements with many industry sectors, including dairy, paint, newsprint, auto and retail packaging.

As solid waste diversion continues to progress, the RRFB will actively seek out additional economic opportunities for Nova Scotia. We are confident that Nova Scotians' growing commitment to solid waste reduction will translate into more value-added manufacturing initiatives such as TRACC and NOVAPET.

During the past year, the Auditor General of Nova Scotia completed a detailed review of the RRFB's operations. This review found we were in compliance with the Environment Act and the Solid Waste-Resource Management Regulations. The RRFB has implemented improvements recommended by the Auditor General.

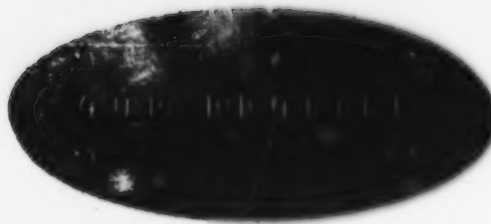
On behalf of the RRFB, I would like to extend my sincere thanks to municipalities and regions for their continued cooperation, to the Nova Scotia Department of Environment for its on-going direction, and to all Nova Scotians, whose increasing commitment to solid waste management is driving our continued success.

Sincerely,



Adrian White, P. Eng.

Chief Operating Officer



Historically, natural resources have been key factors in economic growth and development in Nova Scotia. Our province is embarking on a new philosophy — one that recognizes solid waste as a new resource.

Each year, approximately 630,000* tonnes of solid waste are generated in Nova Scotia. In 1996, the Province recognized that change was necessary and embarked on an ambitious new program to help Nova Scotians reduce the amount of solid waste sent to landfills and incinerators. Through its Solid Waste-Resource Management Strategy, the Province committed to reduce by 50 percent the amount of solid waste going to landfills and incinerators by the year 2000.

The Province also created the Resource Recovery Fund Board Inc. (RRFB) as a private, not-for-profit organization. Located in Debert, Nova Scotia, the RRFB is responsible for managing a substantial portion of the Solid Waste-Resource Management Regulations made under the Environment Act. The RRFB is administered by a Board of Directors consisting of industry and government representatives who are responsible to the Minister of Environment.

Effective partnerships play a key role in ensuring the RRFB properly manages Nova Scotia's solid waste resource. To meet its five mandates, the RRFB maintains partnerships with Nova Scotia municipalities, Enviro-Depots®, regional processors, cartage companies, and many other stakeholders who have a role in solid waste management.

As a not-for-profit organization, the RRFB must distribute a minimum of 50 percent of its annual net revenues to Nova Scotia's seven solid waste-resource

management regions, where it is then distributed to municipalities through diversion credits. Payment is based on the solid waste amounts each municipality diverts annually. Thus, the more waste a municipality diverts from landfills and incinerators, the more money that municipality will receive from the RRFB to help offset their costs of adhering to the stipulations of the Solid Waste-Resource Management Strategy.

Approved funding is also made available to municipalities and entrepreneurs for special waste diversion projects and value-added manufacturing initiatives. The RRFB encourages new provincial industries who use solid waste to create new products and, consequently, generate further employment opportunities.

The Province has instituted a schedule of materials to be banned from landfills and incinerators. One of the intentions of these bans is to reduce the number of landfills throughout Nova Scotia. These actions have met with great success. In the 1970s there were over 100 disposal sites in Nova Scotia - of which several practiced open burning. Today, there are 19 disposal sites and no more open burning. By the year 2005, the goal is to reduce the number of disposal sites to between 7 and 10.

The RRFB administers the collection and marketing of many banned materials through Enviro-Depots® (including beverage containers, residential corrugated cardboard, newsprint, and lead-acid automotive batteries). Other materials, such as tires and antifreeze, are collected by retailers, while municipalities are or will be responsible for the collection of leaf and yard waste and other designated materials.

*Using the 1988 base year

NOVA SCOTIA BANNED MATERIALS

Beverage Containers	April 1996
Corrugated Cardboard	April 1996
Newsprint	April 1996

Automotive Batteries	April 1996
Leaf and Yard Waste	June 1996
Used Tires	January 1997
Waste Paint and Antifreeze	April 1997

O U R M I S S I O N

The Resource Recovery Fund Board Inc. is in business to be a commercially viable Corporation, providing responsible management for Nova Scotia's Solid Waste-Resource Management Strategy. Paramount will be our initiatives to protect the long-term environmental and economic health of Nova Scotia.

O U R M A N D A T E S

Fund municipal or regional diversion programs

Develop and operate a Deposit/Refund System for Beverage Containers

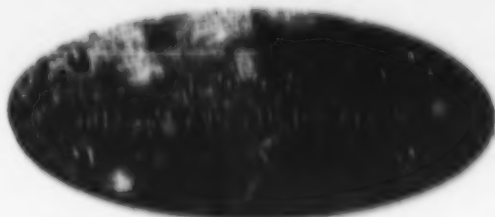
Develop and implement industry stewardship programs

Develop education and awareness of the 3 R's (reduce, reuse, recycle) and composting

Promote the development of value-added manufacturing in the province.



Danrie King of TRACG



Implementing Nova Scotia's Solid Waste-Resource Management Strategy has not been without challenges. However, with an on-going commitment to protect the environment and expand economic opportunities, sustainable jobs are being supported and created through growing waste-diversion endeavours.

During its second year of operation, the RRFB was required to make tough decisions. We chose to discontinue programs where cost-recovery and industry support to administer waste-diversion efforts were not forthcoming or possible. We made these decisions to maximize the diversion credits available for municipalities and regions and to reinforce the principle of "polluter pays".

Annual Action Plan

In accordance with Section 10.00 of the Agreement between the Minister of Environment and the RRFB, the Board submitted an Annual Action Plan for the fiscal year ended March 31, 1998. The Plan projected net revenues of \$1.5 million on total revenues of \$19.7 million. Priorities were established for 1997/98 in accordance with the five mandates of the RRFB, namely:

1. **Development & implement industry stewardship programs**
 - Negotiate stewardship agreements for banned materials;
 - Determine achievability of voluntary industry stewardship agreements;
2. **Fund municipal or regional diversion programs**
 - Pay 50% of net revenues to municipalities through diversion credits;
3. **Develop & operate a Deposit-Refund System for Beverage Containers**
 - Stabilize number of Enviro-Depots® to ensure financial viability;
 - Continue to develop a comprehensive quality control audit system;
 - Determine efficiencies for material processing and shipment;
 - Expand management information systems;
 - Continue to seek local markets for materials collected by Enviro-Depots®;
4. **Develop education & awareness of source reduction, reuse, recycling & composting**
 - Develop provincial education/awareness campaign with Clean Nova Scotia;
 - Implement a communications plan to address the needs of municipalities, the public and the Nova Scotia Department of Environment regarding the strategy and upcoming bans;

5. Promote the development of value-added manufacturing in the province

- Provide financial assistance to municipalities through approved programs;
- Ensure a long-term, sustainable recycling industry in Nova Scotia by funding value-added manufacturing using solid waste as a resource.

The RRFB also planned to seek relief from the Harmonized Sales Tax on the Beverage Container and Used Tire Management Programs.

Progress against the Plan is highlighted throughout this report.

Municipal-Regional Waste Diversion Program Funding

In fiscal 1998, the RRFB provided \$6.8 million in financial assistance to municipalities and regions to offset the costs they incurred in adjusting or expanding their waste management programs. This is three times the amount of assistance made available in fiscal 1997.

We also established guidelines for funding approved programs and developed program application forms and agreements. A total of 44 applications for funding were received during the fiscal year and \$669,300 in funding was approved for 31 projects. Approved programs created 39 jobs and included:

- 22 municipal projects totaling \$436,500, (backyard composting, in-vessel composting, household hazardous waste collection, solid waste chipping and reuse)
- 9 private sector projects totaling \$232,800, (collection and reuse of recyclable materials such as boxboard, organics, and metals)

\$9.06 million
municipalities
and regions
(for Diversion Credits)



\$2.68 million approved waste
diversion projects

\$669,300 public education
and awareness programs

\$12.34 million Regional Waste Reduction Coordinators

Fiscal 1998 Net Revenue Breakdown

A Shared Responsibility Industry Stewardship

Industry stewardship refers to the fundamental principle, "polluter pays", where industry shares responsibility for the waste management costs associated with the packaging they produce. A recent, independent survey showed that close to 80 percent of Nova Scotians believe manufacturers should contribute toward this cost.

One of the key mandates of the RRFB is to develop and implement voluntary industry stewardship programs. We believe that when industries accept responsibility for their products, it creates an incentive to reduce the excessive amount of packaging found on many everyday goods. Without industry support, consumers and taxpayers will continue to carry the full financial burden of solid waste management.

Industry is coming on-board — voluntarily. One great example is the Charge Up to Recycle battery program. Industry stakeholders of the Rechargeable Battery Recycling in Canada Program voluntarily established a retail network to recycle rechargeable Ni-Cd batteries throughout Canada. Over 200,000 Ni-Cd batteries are purchased in Nova Scotia annually. This is an excellent example of industry taking responsibility for the waste they produce.

During the '98 fiscal year, the RRFB actively pursued stewardship agreements with a number of industries, including waste paint, dairy, retail packaging and hazardous waste. Positive progress was made with many of these industries and discussions continue toward reaching stewardship agreements. As well, the RRFB received stewardship revenue from over 850 tire retailers and from two of the major newspapers in Nova Scotia.

Unfortunately, we were unable to secure a voluntary industry stewardship agreement with the dairy industry. As a result, the RRFB stopped collecting milk containers in 1997, after incurring over \$800,000 in collection costs. Although some municipalities continue to collect milk containers through their curbside recycling programs, the municipal taxpayer is left to carry the full costs.



The Photo: Richard Kern, spokesperson for the Rechargeable Battery Recycling in Canada Program. Bottom photo: Tom Zed, Director of the Rechargeable Battery Recycling in Canada Program. Coordinator for Region 3, at Environment Canada.

On April 1, 1997, waste paint was banned from Nova Scotia's landfills and incinerators. To promote this ban, the RRFB sponsored ten paint swaps throughout Nova Scotia, resulting in the safe disposal or swapping of 29,000 litres of paint. Swaps were coordinated by Regional Waste Reduction Coordinators, with assistance from local volunteers. The RRFB incurred approximately \$48,000 in costs to cover these swaps with no financial assistance from the paint industry.

The RRFB did negotiate a voluntary industry stewardship program, including a schedule of fees, with the paint industry. Prior to signing any agreement, the industry requested backdrop regulations to ensure a level playing field for all brand owners selling paint in Nova Scotia. The Government is reviewing this request.

The following materials have been designated for voluntary industry stewardship programs pursuant to the Provincial Environment Act*:

Dairy Containers
Derelict Vehicles
Office Paper
Household Hazardous Waste
Old Magazines
Retail Packaging
Packaging - Quick Service Food Industry

*Please note, this is not a static list and is subject to change.

Jan 27 1998

P.O. Box 110
Oxford N.S.
B0M 1P0

To whom This Concerns

My name is Nick Lundy I am from Oxford Elementary School. My class really cares about the environment that's why we put out recycling bins for each class so we can make our environment cleaner. I am very disappointed that we can not recycle milk cartons it just makes more garbage. We get about 3 or 4 bags of garbage a day, a week is bags of garbage. Our class says that we will since the milk cartons out if we can recycle milk cartons again so it won't make more garbage.

Your friend,

Nick Lundy.

P.S. Only if we can recycle milk cartons.

A Little Pop Goes a Long Way Deposit/Refund System for Beverage Containers

During fiscal 1998, the RRFB continued to enjoy success in its Deposit/Refund System for Beverage Containers. More than 142 million containers were returned to 94 Enviro-Depots® in the Province — representing a 76 percent rate of return.

Volume Returns of Beverage Containers

Aluminum Cans	63,100,000
Plastic Bottles	52,200,000
Glass	10,000,000
Juice Cartons	8,100,000
Other Plastics	5,200,000
Steel Juice Cans	3,400,000
Total	142,000,000

The success of our Deposit/Refund System for Beverage Containers has clearly shown there are many benefits (and beneficiaries) of waste diversion — or, in other words, a little pop goes a long way. Returning beverage containers to Enviro-Depots® has proven to be an excellent fundraising

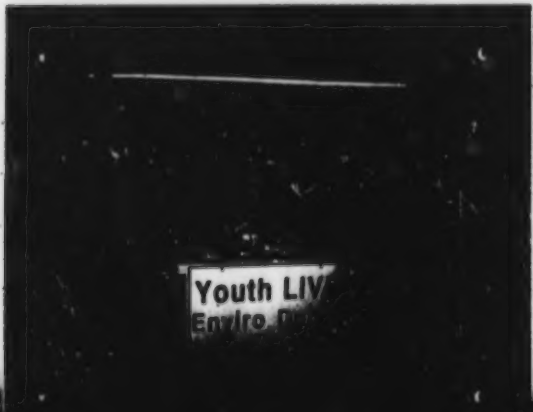
opportunity for Boy Scouts, Girl Guides, hospitals, schools, and a variety of charitable organizations. Aside from keeping our neighbourhoods clean, such efforts show both young and old alike that everyone can make a difference, while being environmentally responsible.

The Deposit/Refund System for Beverage Containers is making a significant impact at Youth LIVE, an Enviro-Depot® located in Halifax Regional Municipality. This particular Depot has established a program that provides on-the-job training and experience, as well as educational upgrading, for Halifax youth. "We also provide opportunities to learn computer skills and to work in an office environment on a short-term basis. We could not have achieved any of this without the Deposit/Refund System," says Shingai Nyajaka, Youth LIVE's Coordinator of Job Experiences. Youth LIVE is an example of the difference recycling makes — not just in a cleaner environment, but in helping young people build their lives.

The RRFB utilizes the services of the Colchester Community Workshop for jobs such as large mail outs. This organization, which employs special needs adults, has also helped us apply bar codes to over 200,000 tags for recycled material shipping bags.

Changing Behaviour & Increasing Awareness Communications/Education

Understanding what Nova Scotians think about solid waste management is key to changing their behaviour. During the fiscal year, we commissioned a public opinion poll to learn more about public attitudes on solid waste management and to help direct future communications and education initiatives. That research told us the majority of Nova Scotians (80 percent) are more aware of recycling issues today than they were one year earlier.



Youth LIVE
Enviro-Depot

Photo: Youth LIVE Enviro-Depot, located in Halifax Regional Municipality.

The RRFB contracted Clean Nova Scotia to conduct education programs and generate awareness throughout Nova Scotia during fiscal '98. The contract included school presentations as well as attendance at various outreach events, such as home shows.

The RRFB was a major sponsor of *Disposal Bans and Beyond*, a waste management conference held in March 1998. The RRFB presented Nova Scotia's first annual Solid Waste-Resource Awards recognizing outstanding achievement in the areas of value-added manufacturing; industrial, commercial and institutional waste management; Enviro Depot® creativity; highest regional per capita diversion; and waste management education. This conference, the first of its kind in Atlantic Canada, was a resounding success, with just under 300 participants and 33 exhibitors.

In fiscal 1998, the RRFB implemented a provincial communications plan supported by targeted advertising and sponsors when possible. We wrote a regular editorial column, designed to address current environmental issues, in the provincial edition of *The Chronicle Herald* and the *Cape Breton Post*. In addition, a variety of printed materials were developed to keep the public informed on the latest developments in reducing, reusing, recycling and composting. These brochures included: *Using Solid Waste in Value-Added Manufacturing*; *Guide to Composting*; *Become a Ban Member*; and *Helping Recycling Work Guide*.

Communication efforts were further enhanced through numerous presentations and displays, the development of our own internet web site (www.rrfb.com), and

the on-going distribution of two newsletters — *Depot News* and *Tire News*. We also attended various events including the Nova Scotia Environmental Industries Association's annual conference and trade show, the Nova Scotia Retail Gasoline Dealers' trade show, the Composting Council of Canada annual conference, and the Union of Nova Scotia Municipalities annual conference.

The RRFB is an active member in several associations that share our basic goals — 50 percent waste diversion by the year 2000, economic sustainability, and environmental responsibility. These associations include the Nova Scotia Association of Waste Reduction Coordinators, NS/PEI Bottle Dealers Association, Nova Scotia Environmental Industries Association, and the Composting Council of Canada.

The RRFB was also represented on several committees, including Pollution Prevention, Education and Awareness, and Illegal Dumping, with stakeholders from the provincial Department of Environment, Clean Nova Scotia, Environment Canada, and Regional Waste Reduction Coordinators.

Partnerships were developed with several sponsors, such as GLAD and local Nova Scotian recycling manufacturers, where we implemented advertising campaigns to promote cooperation among key stakeholders. An advertising campaign was developed at the end of our fiscal year, for a launch in early fiscal 1999, to promote the partnership of municipal and provincial waste diversion opportunities for Nova Scotians.



Top photo: Colleen Appleton, ACAP Cape Breton, receives the award for Waste Management Education from RRFB Chief Operating Officer, Adrian White. Other Solid Waste-Resource Award recipients included Halifax County Construction and Demolition Recycling Ltd. for best Industrial Waste Management Program; The Good Earth Organic Resources Group Ltd. of Lower Sackville for Value-Added Manufacturing; Cumberland, Colchester and Easterns Region for best Regional Composting Program; and the RRFB for best Environmental Creativity.

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Reinventing the Wheel Value-Added Manufacturing

Environmental industries have helped to ensure Nova Scotians receive the maximum environmental and economic benefits, while minimizing the costs of managing solid waste. Valuable commodities have been manufactured and exported by Nova Scotia companies to markets all over the world.

Together, we have successfully turned old materials into new products. During the '98 fiscal year, all newsprint and corrugated cardboard recycled through the Enviro-Depot® system was sold to local Nova Scotia markets. As a result, newspapers became insulation, drywall cover and packaging, while old cardboard boxes became new cardboard boxes.

We also worked to develop the long-term sustainability of the recycling industry by ensuring Nova Scotia's industries had critical mass of materials for domestic sources.

These efforts were evident in the tire industry. Environmental fees submitted by over 850 registered tire retailers covered the costs of collecting and processing used tires into value-added products for resale.

The RRFB contracted TRACC (NS) Limited to collect and process used tires at a new facility in Cornwallis. During the year, plant construction was completed

and value-added production began in early 1998. Surplus funds from the Used Tire Management Program will be used to clean-up tire stockpiles around the Province in the year ahead.

A joint study, completed in January 1998, was funded by the RRFB, Nova Scotia Department of Environment, and the Canadian Plastics Industry Association. Entitled "Plastic Recovery in Nova Scotia: An Approach to Sustainability", it developed a set of recommendations to facilitate further sustained recovery of municipal and industrial post-consumer waste plastics, identify long-term markets, optimize the cost of collection and sorting, provide growth and stability to the plastics recycling business, and finally, identify value-added manufacturing opportunities in the Province for plastics recovered from the waste stream. The study also examined the broader market influences that impact local market activities and permit the sustained practice of plastics recycling in Nova Scotia.

With the start up of the NOVAPET operation in Amherst, recycled PETE plastic (i.e. pop bottles) will be processed in Nova Scotia rather than in the United States. Using innovative technology, NOVAPET Inc. intends to expand its processing to manufacture a food-grade PETE package using 100 percent recycled material. Not only will new products be generated at the plastics recycling facility, but new jobs as well. As production expands, approximately 50 jobs will be created. In the early stages of this endeavour, feed stock will also come from New Brunswick and Newfoundland, and we expect to import PETE from other parts of Canada and the US as well.



Photo: Tire crumb that is used in value-added manufacturing

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Photo: Tire crumb that is used in value-added manufacturing.

A LOOK AHEAD

Nova Scotians have told us they strongly support the importance and value of waste diversion and are regularly involved in activities including the 3 R's and composting. Their commitment will help drive the RRFB's on-going success.

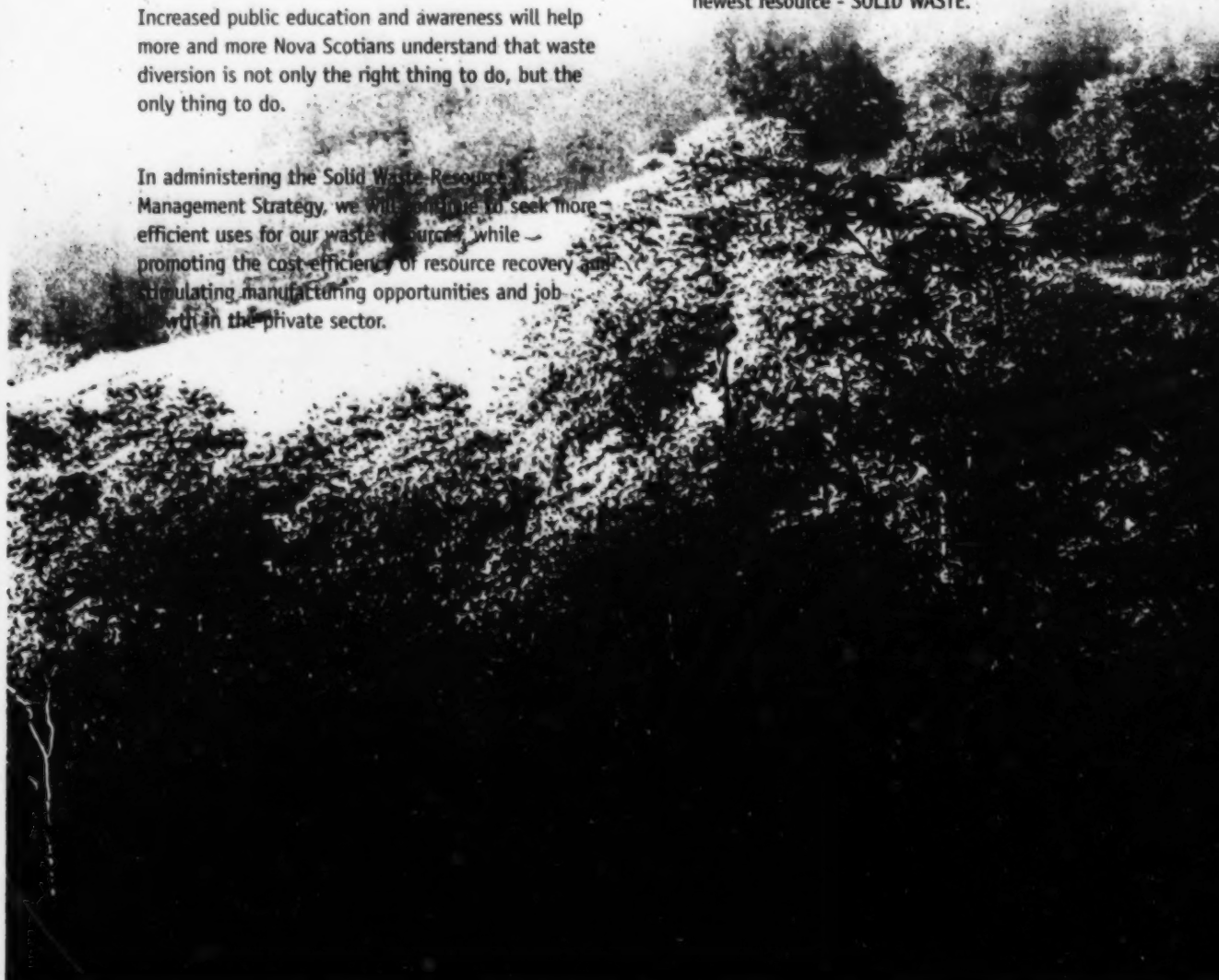
But this commitment alone is not enough. Industry support is essential to ensure the continued feasibility of resource recovery. In the year ahead, increased emphasis will be placed on negotiating voluntary stewardship agreements. Where alternatives can be identified, we will work with government and industry to implement other forms of stewardship.

Increased public education and awareness will help more and more Nova Scotians understand that waste diversion is not only the right thing to do, but the only thing to do.

In administering the Solid Waste Resource Management Strategy, we will continue to seek more efficient uses for our waste resources, while promoting the cost efficiency of resource recovery and stimulating manufacturing opportunities and job growth in the private sector.

We will explore opportunities to import recyclables into the Province to increase low volumes and stimulate industry growth in the recycling sector, just as we are doing with NOVAPET Inc. We will encourage processing an increasingly larger portion of our recycled materials right here in Nova Scotia.

We challenge all Nova Scotians to continue to demonstrate their commitment to solid waste management. Their support is essential as we move toward reaching our 50 percent waste diversion target by the year 2000. If we all continue to work together, we will overcome the challenges and realize the opportunities involved in managing Nova Scotia's newest resource - SOLID WASTE.



To the Board of Directors of Resource Recovery Fund Board Inc.

We have audited the statement of financial position of Resource Recovery Fund Board Inc. as at March 31, 1998 and the statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1998 and the results of its operations, changes in net assets and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Doane Raymond

Chartered Accountants
May 8, 1998
Truro, Nova Scotia

STATEMENT OF OPERATIONS

Year Ended March 31

1998

1997

REVENUES

Deposits

Gross revenues from deposits	\$ 18,532,879	\$ 15,736,126
Less: Harmonized sales tax	(2,397,010)	(1,172,637)

	16,135,869	14,563,489
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Sales of recyclable materials	2,311,004	1,615,026
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Stewardship	2,367,019	408,821
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TOTAL REVENUES	20,813,892	16,587,336
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COST OF SALES

Inventory, beginning of year	46,261	-
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Deposit refunds and handling fees	9,856,911	10,476,211
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Freight-in	63,672	47,300
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Local cartage	1,030,015	1,132,409
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Regional processing	984,928	893,846
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Used tires	1,439,400	166,246
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Paint Program	48,202	-
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	13,469,369	12,716,012
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Less: Inventory, end of year	70,183	46,261
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	13,399,206	12,669,751
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Gross margin	7,414,686	3,917,585
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Administrative and operating expenses	1,698,128	1,330,747
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OPERATING INCOME	5,716,558	2,586,838
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Interest and other income	211,953	70,117
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EXCESS OF REVENUES OVER EXPENSES	\$ 5,928,511	2,656,955
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See accompanying notes to the financial statements

STATEMENT OF CHANGES IN NET ASSETS

March 31

1998

1997

NET ASSETS	INVESTED IN CAPITAL ASSETS	RESTRICTED FOR FUTURE PROJECTS	RESTRICTED FOR APPROVED PROGRAMS	TOTAL	TOTAL
Balance, beginning of year	\$ 1,314,392	\$ 1,816,507	\$ 677,341	\$ 3,808,240	\$ 2,772,348
Excess of revenues over expenses	(320,168)	—	—	5,928,511	2,656,955
Investment in capital assets	145,839	—	—	—	—
	1,140,063	1,816,507	677,341	9,736,751	5,429,303
Internally imposed restrictions	—	—	3,051,420	—	—
Payments during the year	—	—	—	—	—
Education and awareness	—	—	(400,000)	(400,000)	(334,361)
Regional coordinators	—	—	(205,000)	(205,000)	(137,500)
Approved Programs	—	—	(668,053)	(668,053)	—
Allocation to Municipal solid waste diversion	—	—	—	—	—
Advances	—	—	—	—	(500,000)
Payable	—	—	—	(3,051,420)	(649,202)
Special payment	—	(700,000)	—	(700,000)	—
Balance, end of year	\$ 1,140,063	\$ 1,116,507	\$ 2,455,708	\$ 4,712,278	\$ 3,808,240

See accompanying notes to the financial statements

STATEMENT OF OPERATIONS

Board of Directors

1998

1997

REVENUES

Interest

Governmental grants

Other revenues

Operating expenses

Depreciation

TOTAL REVENUES

COST OF SALES

Operating expenses

Depreciation

Interest

Governmental grants

Operating expenses

Depreciation

Interest

Governmental grants

Operating expenses

Depreciation

Interest

Governmental grants

OPERATING INCOME

Interest and other income

EXCESS OF REVENUES OVER EXPENSES

STATEMENT OF CHANGES IN NET ASSETS

Board of Directors

1998

1997

Net Assets

Net Assets

Net Assets

NET REVENUES

TOTAL

Balance, beginning of year

Excess of revenues over expenses

Investment in capital assets

Intervenor deposits

Payments during the year

Education and awareness

Regional coordinators

Approved Programs

Allocation to Municipal waste division

Advances

Payables

Special payment

Balance, end of year

See accompanying notes to the financial statements

STATEMENT OF FINANCIAL POSITION

March 31

1998

1997

ASSETS

Current

Cash and short term investments	\$ 8,136,163	\$ 3,534,079
Receivables		
Trade	1,971,462	2,446,650
Accrued interest	16,651	7,334
Inventory	70,183	46,261
Prepays	6,677	6,536

10,201,136

6,040,860

Property and equipment (Note 3)

706,580

754,890

Organizational costs, net of accumulated amortization

433,483

559,502

\$ 11,341,199

\$ 7,355,252

LIABILITIES

Current

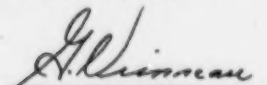
Payables and accruals		
Trade	\$ 1,542,201	\$ 709,336
Municipal solid waste diversion	3,051,420	649,202
Unearned revenue	2,035,300	2,188,474
	6,628,921	3,547,012

NET ASSETS

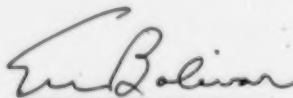
Invested in capital assets	1,140,063	1,314,392
Restricted for future projects	1,116,507	1,816,507
Restricted for approved programs	2,455,708	677,341
	4,712,278	3,808,240
	\$ 11,341,199	\$ 7,355,252

Commitments (Note 5)

On behalf of the Board



Gilbert Vienneau, Chair



Ernie Bolivar, Director

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended March 31

1998

1997

CASH DERIVED FROM (APPLIED TO)

Operating

Excess of revenues over expenses	\$ 5,928,511	\$ 2,656,955
Amortization and depreciation	320,168	261,908
	6,248,679	2,918,863
Change in non-cash operating working capital		
Receivables	465,871	(1,910,958)
Inventory	(23,922)	(46,261)
Prepays	(141)	(4,267)
Payables and accruals	3,235,083	769,190
Unearned revenue	(153,174)	2,188,474
	9,772,396	3,915,041

Investing

Purchase of		
Property and equipment	(141,139)	(362,180)
Organizational costs	(4,700)	(258,279)
	(145,839)	(620,459)

Allocation of net assets

Municipal solid waste diversion	(3,751,420)	(1,149,202)
Approved programs	(1,273,053)	(471,861)
	(5,024,473)	(1,621,063)

Net increase in cash

Cash, beginning of year	4,602,084	1,673,519
	3,534,079	1,860,560

Cash, end of year	\$ 8,136,163	\$ 3,534,079
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See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1998

1. NATURE OF OPERATIONS

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to manage a substantial portion of the Province's Solid Waste-Resource Management Regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Building	5%,	straight-line
Field equipment	20%,	straight-line
Office and warehouse equipment	20%,	straight-line
Computer hardware and software	20%,	straight-line
Containers	33 1/3%,	straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs

Organizational costs for new programs are amortized on a straight-line basis over five years.

Income taxes

The company is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

Revenue recognition

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

3. PROPERTY AND EQUIPMENT

			1998	1997
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 29,492	\$ —	\$ 29,492	\$ 29,492
Building	273,150	27,315	245,835	259,493
Field equipment	98,810	38,118	60,692	75,859
Office and warehouse equipment	69,417	24,218	45,199	44,374
Containers	276,099	169,559	106,540	169,576
Computer hardware and software	321,576	102,754	218,822	176,096
	\$ 1,068,544	\$ 361,964	\$ 706,580	\$ 754,890

4. BANK INDEBTEDNESS

The company has an operating line of credit of \$2,500,000, of which all is unused at March 31, 1998.

5. COMMITMENTS

The company has entered into agreements to lease a warehouse and equipment. Minimum rent payable for the next year is \$49,799.

6. OTHER

- Included in trade receivables is an amount of \$277,000 which is currently under dispute. Recovery depends on the ultimate resolution of this matter. No provision has been made in the financial statements.
- Subject to specific terms and conditions being met which are satisfactory to the Resource Recovery Fund Board Inc., the board has approved an investment of \$281,400 in preference and common shares of Novapet Inc., a company located in Amherst, Nova Scotia. The board will fund this investment out of its net assets restricted for future projects.

7. COMPARATIVE FIGURES

Certain of the 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1998.

RESOURCE RECOVERY FUND BOARD INC. CORPORATE DIRECTORY

Board of Directors

GILBERT VIENNEAU - CHAIR

President, Industries Group, Sobeys Inc.

DWIGHT WHYNOT

Vice President of Finance, Minas Basin Pulp and Power Co.

RICHARD RUSSELL

Director Driver Training, Canadian Automobile Association

GERARD MACLELLAN

Nova Scotia Department of Environment

WADE TATTRIE

Nova Scotia Department of Finance

ERNIE BOLIVAR

Mayor, Town of Bridgewater

DON FARNELL

President, Farnell Packaging

TOM van OIRSCHOT

Regional Solid Waste Coordinator - Region 3

FRANK TIBBETS

President, Tibbets Paints

DAN WURSTER

Michelin Tire Corporation

Officers

GILBERT VIENNEAU

President

ADRIAN WHITE, P.Eng.

Chief Operating Officer

DEREK FIRTH, CA

Controller and Corporate Secretary

Code of Conduct Compliance

The Resource Recovery Fund Board Inc.'s (RRFB) Board of Directors and management have reviewed the Company's Code of Conduct and are satisfied that the Board of Directors' approach to corporate conduct is consistent with the Code.



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